

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017 / 2018 SESSION

DEC5078 – INTRODUCTION TO ECONOMICS

(All sections / Groups)

14 OCTOBER 2017
9.00AM – 11.00AM
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 9 pages with 2 sections.
2. Answer **ALL** questions for sections A and B.
3. Answers for section A should be shaded on the OMR sheet provided.
4. For section B, please write your answers in the answer booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS

Each question consists of 1.5 marks. Answers for this section should be shaded on the OMR sheet provided.

1. The study of choices that individuals and businesses make and the way those choices interact in markets is about _____.

A. economics
B. microeconomics
C. macroeconomics
D. neuroeconomics
2. According to the law of demand, the higher the price of a good, the _____ is the quantity demanded; and the lower the price of a good, the _____ is the quantity demanded.

A. larger; smaller
B. smaller; larger
C. cheaper; expensive
D. expensive; cheaper
3. The demand curve shows _____.

A. the relationship between the price of the good and quantity demanded of the good
B. the relationship between the price of the substitute good and quantity demanded of the good
C. the relationship between the future price of the good and quantity supplied of the good
D. the relationship between the price of the good and quantity supplied of the good
4. What is the price elasticity of demand if the percentage change in the quantity demanded is smaller than the percentage change in price?

A. Less than 1.
B. More than 1.
C. Elastic demand.
D. Perfectly elastic demand.
5. "Speed Automotive is selling hybrid cars in Malaysia. When the country face economic downturn, the quantity demanded of hybrid cars reduced 80% from previous demand. However, Speed Automotive did not change the price of their hybrid cars."

Based on the above statement, the hybrid cars has a _____.

A. elastic demand
B. perfectly inelastic demand
C. perfectly elastic demand
D. inelastic demand

Continued...

6. Ariffin only buys bread and eggs. Which of the following factors is/are considered as the limitation for his consumption choices?
- I. Income
 - II. The price of bread
 - III. The price of eggs
 - IV. The price of chocolate
- A. I only.
B. II and III.
C. I, II and III.
D. II, III and IV.
7. Market equilibrium only occurs if _____.
- A. marginal benefit equals marginal cost
B. marginal utility equals total utility
C. aggregate income equals aggregate consumption
D. quantity demanded equals quantity supply
8. A constant rise of the price level is called _____.
- A. inflation
B. deflation
C. hyperinflation
D. hyperdeflation
9. Economic efficiency is when a firm produced the given quantity of output with the least _____.
- A. input
B. cost
C. knowledge
D. problem
10. Which market structure has the following characteristics?
- I. Many firms
 - II. Product differentiation
 - III. Market power for each firm
 - IV. No entry barriers for new firms
- A. Perfect competition
B. Monopoly
C. Oligopoly
D. Monopolistic competition

Continued...

11. Which of the following is **NOT** the function of money?
- A. Medium of exchange.
 - B. Unit of account.
 - C. Commodity.
 - D. Store of value.
12. Which of the following is the public authority that regulates a nation's depository institutions and controls the quantity of money?
- A. Commercial bank.
 - B. Depository institution.
 - C. Non-financial institution.
 - D. Central Bank.
13. **M1 + time deposits + saving deposits + non-financial institution saving deposits.**
- What is the official measures of money based on above equation?
- A. M1.
 - B. M2.
 - C. M3.
 - D. M4.
14. The purchase of government securities by the Central Bank from or to a commercial bank or the public is called _____.
- A. last resort loans
 - B. open market operations
 - C. required reserve ratios
 - D. the discount rates
15. When people decide to hold their money instead of keeping it in the bank, this leakage of reserves into currency is called _____.
- A. the currency drain
 - B. the desired reserve ratio
 - C. the monetary based
 - D. the excess reserves
16. The saving of fixed amounts of money for agreed-upon periods of time by commercial bank to the central bank is called _____.
- A. reserve
 - B. liquid assets
 - C. securities
 - D. loans

Continued...

17. Calculate the reserve requirement ratio if the commercial bank reserved RM 50,000 to the central bank for its new deposit of RM 1,000,000.
- A. 3%
 - B. 4%
 - C. 5%
 - D. 6%
18. How much is the money multiplier if the central bank sets up a 10% of required reserve ratio?
- A. 10000
 - B. 1000
 - C. 100
 - D. 10
19. Supposed the required reserve ratio is 30%. A RM1 million cash deposit will allow an expansion of the money supply to _____.
- A. RM4 million
 - B. RM5 million
 - C. RM6 million
 - D. RM7 million
20. The money supply has increased from RM1.4 trillion to RM2 trillion. Which of the following could have caused this increase?
- A. The central bank sold government securities to the public.
 - B. Consumers who were holding money outside the banking system deposit this money.
 - C. The central bank increased the discount rate.
 - D. Commercial banks began to hold excess reserves.
21. The situation in which the unemployment rate equals the natural unemployment rate is called _____.
- A. full employment
 - B. cyclical unemployment
 - C. structural unemployment
 - D. frictional unemployment
22. Which of the person below is **NOT** categorised as a working-age population?
- A. An engineer that has been working with the same company for 20 years.
 - B. A pharmaceutical graduates that is looking for a job every day.
 - C. A researcher that has been put into a psychiatry rehabilitation institute.
 - D. A 20 year old housewife that choose to never work at all.

Continued...

23. Tim hears a person saying "I lost my job because I was replaced by a machine," He should conclude that this person is _____ unemployed.
- A. cyclically
 - B. structurally
 - C. frictionally
 - D. seasonally
24. If a country has a population of 500 million, 200 million people employed and 50 million people looking for work, then its unemployment rate is _____.
- A. 10%
 - B. 25%
 - C. 20%
 - D. 40%
25. When aggregate output falls, it is likely that unemployment rate will _____.
- A. increase
 - B. decrease
 - C. constant
 - D. not be affected
26. Which of the followings is **NOT** the cause of cost-push inflation?
- A. An increase in labor wage rates.
 - B. An increase in the cost of production.
 - C. A shift of supply curve to the right.
 - D. A decrease in the price of raw materials.
27. An economic condition characterized by high unemployment and excessive inflation is called _____.
- A. recessionary downturn
 - B. expansionary growth
 - C. stagflation
 - D. depression
28. If the government wants to cope with high inflation, the government should _____.
- A. increase aggregate demand
 - B. decrease aggregate supply
 - C. decrease aggregate demand
 - D. do nothing

Continued...

29. For an economy to experience both a recession and inflation at the same time _____.
- A. the aggregate supply curve must shift to the right
 - B. the aggregate supply curve must shift to the left
 - C. the aggregate demand curve must shift to the left
 - D. the aggregate demand curve must shift to the right
30. Dan Scott is a professional basketball player who has been laid off for 6 months due to disciplinary issues. He is expected to come back to play the game in the next NBA season. Dan is considered as _____.
- A. not in the labor force
 - B. unemployed
 - C. under institutionalized
 - D. problematic

[TOTAL 45 MARKS]

Continued...

SECTION B: STRUCTURED QUESTIONS

Answers for this section should be written in the answer booklet provided.

QUESTION 1

- a) List **FOUR (4)** characteristic of perfect competition market. (4 marks)
- b) Fill in the blanks for figure 1 below to illustrate the profit/loss for the perfect competition market. (6 marks)

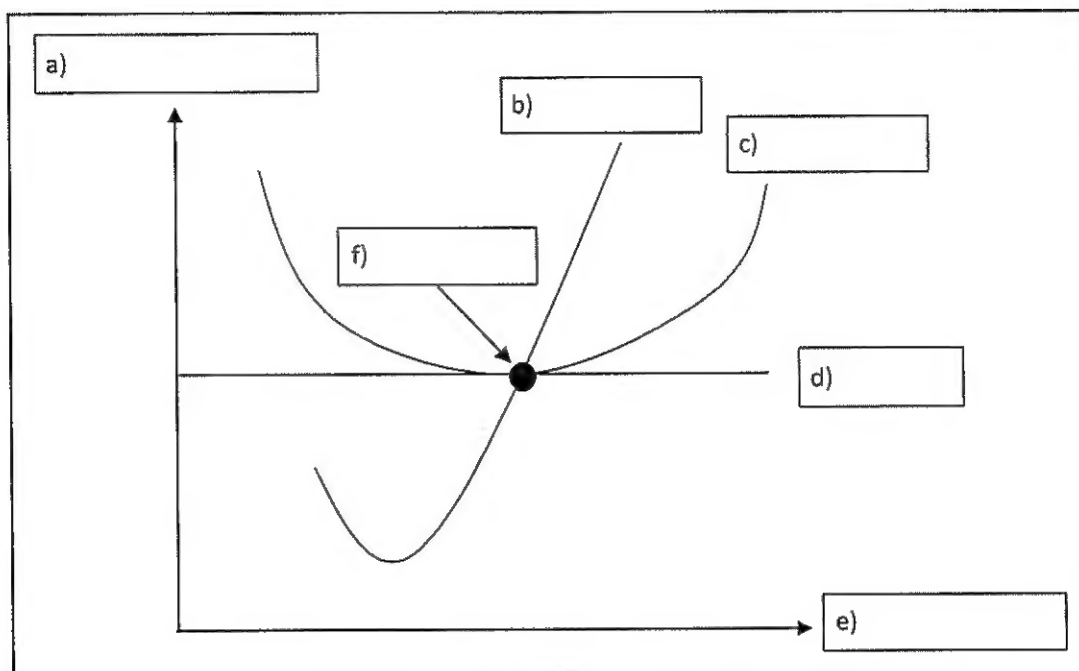


Figure 1

- c) Define the following terms below:

- i. Price taker.
- ii. Cartel.
- iii. Duopoly.
- iv. Barrier to entry.
- v. Markup.

(5 marks)

Continued...

QUESTION 2

- a) Define total utility and marginal utility. (2 marks)
- b) Suppose table 1 below shows Jane's combination of consumption possibilities. Jane's total budget for mangoes and apples is RM10.00 per week. Mango cost RM2.00 each and apple cost RM1.00 each.

	Mango		Total utility from mango and apple	Apple	
	Quantity	Total utility		Quantity	Total utility
A	2	100		6	59
B	3	130		4	52
C	4	154		2	36
D	5	159		0	0

Table 1

- i) Graph the budget line for Jane's consumption possibilities. (5 marks)
- ii) Calculate total utility from mango and apple for every consumption possibilities. (4 marks)
- iii) Which combination will give Jane maximum satisfaction? (1 mark)
- iv) If price of apple increases to RM3.00, explain what will happen to Jane's budget line. [Note: Draw the new budget line using the same graph in (ii)] (3 marks)

Continued...

QUESTION 3

Table 2 below shows the transaction in Malaysia for the 2015.

Items	RM (Millions)
Employee compensation	550
Consumption expenditure	780
Personal income taxes	180
Transfer payments	300
Retained earnings	70
Profits	60
Investment	50
Government expenditure	170
Exports	250
Imports	480
Rentals	150
Interests	200

Table 2

- Calculate Malaysia's GDP using the expenditure approach. (3.5 marks)
- Calculate national income. (3 marks)
- Calculate personal income. (2.5 marks)
- Calculate disposable income. (2 marks)
- Provide **TWO (2)** examples for durable goods and non-durable goods. (4 marks)

QUESTION 4

- Define positive and normative statement. Provide example for each statements. (4 marks)
- Define trade off with **THREE (3)** examples. (4 marks)
- What is production possibilities frontier (PPF)? Draw a PPF curve for good A and good B to show the attainable, unattainable and efficient production points. (7 marks)

[TOTAL 55 MARKS]

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